

# Office of Attorney General Terry Goddard



STATE OF ARIZONA  
DEPARTMENT OF LAW  
1275 W. WASHINGTON STREET  
PHOENIX, ARIZONA 85007-2926  
[WWW.AZAG.GOV](http://WWW.AZAG.GOV)

ANNE TITUS HILBY  
PRESS SECRETARY  
PHONE: (602) 542-8019  
CELL PHONE: (602) 725-2200  
[ANNE.HILBY@AZAG.GOV](mailto:ANNE.HILBY@AZAG.GOV)

**FOR IMMEDIATE RELEASE**

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## **Terry Goddard Announces Foreclosure Rescue Fraud Settlement**

(Phoenix, Ariz. – Sept. 23, 2008) Attorney General Terry Goddard today announced a settlement with Harvest Properties Inc. of Tucson, resolving a consumer fraud lawsuit that alleged foreclosure rescue fraud and mortgage fraud by the company and its owners. The settlement was filed on Friday, September 19.

The settlement, which comes in the form of a consent judgment and does not constitute an admission of wrongdoing, requires Harvest and its owners and managers to pay \$350,000 in restitution to approximately 100 consumers.

"Consumers have the right to expect that they are being told the truth and are receiving a fair deal," Goddard said. "Especially in these difficult economic times, I will aggressively pursue anyone found to be deceiving Arizonans who are in or facing foreclosure."

Friday's settlement with Harvest Properties, Inc., along with its owners and managers, Colin Sterling Reilly, Robert Harrington Reilly and Jill Lynae Reilly, resolves allegations that Harvest engaged in a foreclosure and credit rescue scheme that employed deceptive practices to buy foreclosed homes at discounted prices.

Harvest, doing business as HomeVestors and Harrington Sterling Holdings, LLC, is an Arizona franchisee of HomeVestors, a national company that purchases "distressed" homes below market value. HomeVestors is widely known by its billboards reading "We Buy Ugly Homes.com" and "Ug Buys Ugly Homes."

According to court documents, between November 2003 and June 2006, Harvest frequently negotiated "short sales," in which the company worked directly with lenders to obtain a discounted payoff of consumers' loans in order to buy the property. Court documents also state that Harvest frequently purchased homes "subject to" the loans, meaning consumers' loans were not paid off as part of the transfer of the properties. Instead, Harvest would separately agree with consumers to make the loan payments under the consumers' name and credit, which led many consumers to believe that Harvest Properties had assumed the loan from the lender.

Goddard alleged that, in the process of these transactions, Harvest deceived or concealed significant facts from consumers and lenders and engaged in the following:

- Deceptive foreclosure rescue practices, including claiming consumers owed more than their homes were worth and misrepresenting the cost of repairs, consumers' debt and sale options in order to increase Harvest's equity in the property.
- Deceptive "subject to" sales and "Due On Sale acknowledgements" that failed to disclose significant consequences related to the fact that the original mortgage loan remained in the consumer's name and that the consumer could still go into foreclosure if Harvest failed to make the loan payments.
- Deceptive practices such as concealing the sale of the property from the bank and misleading consumers into concealing the sale from their bank in order to avoid triggering a "due on sale" clause in the loan agreement, which would accelerate the pay off date for the full balance of the consumer's loan.
- Deceptive and misleading use of blank documents, including having consumers sign contracts with blank spaces and altering the sale price multiple times after the contract was signed and without obtaining the consumer's consent.
- Deceptively inducing consumers to sign over special powers of attorney for the sale of their properties to a Harvest employee. This created significant conflicts of interest, as it gave Harvest control over both sides of the transactions.
- Requiring consumers to sign "seller's acknowledgements" which included numerous misleading statements about the transaction, including that they were fully informed, understood all terms of the contract and were satisfied with their negotiation and the final sale terms.
- Deceptively referring consumers to "independent counsel" who were actually attorneys with whom Harvest had a pre-existing referral relationship.

In addition to the \$350,000 in restitution payments, the settlement includes requirements that Harvest and its owners and managers:

- Must comply with the Arizona Consumer Fraud Act.
- Must engage in truthful advertising.
- Cannot do business with consumers who are in or facing foreclosure unless they also provide the consumers with materials listing local foreclosure prevention and counseling resources in English and Spanish.
- Cannot misrepresent the nature of Harvest's business (e.g. they cannot represent themselves as a debt management company or real estate brokerage if it is untruthful) or the value of the consumers' properties or the cost of repairs.
- Cannot conceal transfers of property from lenders or others.
- Cannot engage in "subject to" transactions without strict protective measures and full disclosure of all of the facts and consequences of such a transaction, including notifying the lender of the sale.

Assistant Attorney General Vince Rabago handled this case. Copies of the complaint and consent judgment are available on the Attorney General's Web site, [www.azag.gov](http://www.azag.gov). For more information, please contact Anne Hilby at (602) 542-8019.

If you believe you have been a victim of fraud, please contact the Attorney General's Office in Phoenix at 602.542.5763, in Tucson at 520.628.6504 or outside the Phoenix and Tucson metro areas at 1.800.352.8431. An online complaint form is also posted on the Attorney General's Web site.

The state of Arizona offers numerous resources for Arizona homeowners facing foreclosure. For assistance, go to the Attorney General's Web site and click on "Foreclosure Help" or call the Arizona Foreclosure Helpline at (877) 448-1211.

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